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TAGS: [PREL](#) [PGOV](#) [ECON](#) [PINR](#) [KISL](#) [SCUL](#) [RS](#)  
SUBJECT: TATARSTAN'S EXPORT-ORIENTED ECONOMY AWAITS GLOBAL  
RECOVERY

REF: MOSCOW 1733

Classified By: Ambassador John Beyrle; reason 1.4 (b) and (d)

¶1. (C) Summary: During Ambassador Beyrle's June 24-25 visit to Kazan, Tatarstan President Mintimir Shaymiyev and members of the central Russian republic's business community told him that the republic's export-oriented local economy (oil and heavy machinery) is suffering greatly from the current global economic crisis and any lasting improvement will only come after the rest of the world recovers. During the visit the Ambassador joined local Ministry of Education officials in opening an annual conference for English teachers. Shaymiyev also highlighted the large number of education exchange programs between Tatarstan and the United States, and noted that despite an internal debate over closer ties to the U.S., the republic leads other regions in Russia for educational exchanges. Ambassador discussed Tatarstan's historical moderate form of Islam and its implications for the rest of Russia with Tatarstan's chief mufti and hosted a reception for alumni of U.S. exchange programs. End Summary.

#### Tatarstan Waits for the Global Recovery

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¶2. (C) Leading members of the Tatarstan business community and President Shaymiyev told the Ambassador that after enjoying significant increases in production and investment in 2008, the republic's export-driven industrial sector is acutely experiencing the impact of the world economic crisis, with substantial declines in both industrial production and external trade during the first half of 2009. Shamil Ageyev, Chairman of the Tatarstan Chamber of Commerce, noted that 70 percent of the republic's oil is exported and that the lower world price for oil and lower demand for Tatarstan's other main export, KAMAZ heavy duty trucks, has exacerbated the effect of the current global crisis on the local economy. Tatarstan's KAMAZ automobile plant employs 20 percent of the region's industrial workforce and produces almost a third of Russian trucks. Shortly before our arrival, the plant announced that it had fulfilled its June orders and would shut down production for the remainder of the month. Ageyev also noted that the low world price for oil has coincided with repayment of loans taken out for a five-year modernization program in that sector and that companies receiving rubles whose value is dependent on the price of oil are now having trouble repaying dollar-denominated debts. He noted that the region's smaller sectors, including construction materials, metal, paper and food production/processing are still promising and continue to grow despite the crisis. Ageyev added that despite the current lower price for oil, Tatarstan is looking to broaden its oil refining capabilities and petro-chemical industry.

¶3. (C) President Shaymiyev noted at the outset of their meeting that the Ambassador had just come from opening a new Alcoa aluminum production line in neighboring Samara (reftel) and hoped that on his next visit he would also be able to

open a new U.S. investment in Tatarstan. Shaymiyev said the global economic crisis was having a serious effect on the local economy, especially the low price of oil to which 60 percent of Tatarstan's economy was oriented. The problem, Shaymiyev continued, was that Tatarstan was powerless to increase the demand (mainly from Europe) for the republic's oil and oil-based products. He admitted that, at present, Tatarstan did have the kind of economy that could overcome the crisis on its own and that until the world economy revives, he did not believe the local economy would be restored.

14. (C) Shaymiyev saw the most important goal facing his government was to make sure the current economic crisis does not become a social crisis. Primary among the means to do this, he continued, was to preserve the level of pensions. He also noted that much of the republic's military-industrial complex during Soviet times had converted to civilian production, and now these factories had begun to close due to the crisis. He said that Tatarstan did not have any experience with massive unemployment, and that this could begin to cause family and social problems if the head of the household were to lose his job. (NOTE: Shaymiyev claimed that unemployment was officially at only 3.2 percent of those able to work, but we believe the actual figure to be more like 10 percent. Wage arrears continue to swell totaling over 185 million rubles. The government has already begun to implement measures to combat the effect of the crisis on the economy. As part of a 1.2 billion ruble program to combat unemployment, over 19,000 workers have already found new jobs mostly in the agriculture and construction sectors. END NOTE). Shaymiyev also thought that there were possibilities

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to add greater value to the 32 million tons of oil by refining more of it within Tatarstan and investing in the republic's petro-chemical industry.

Shaymiyev: "Tatarstan's Children are its Future"

15. (C) Shaymiyev highlighted the success Tatarstan has achieved in sending its students on exchange programs to study in the United States. He noted that Tatarstan is the first among all the other regions in such exchange programs. (NOTE: On a per capital basis Tatarstan is the most forward-leaning regions in Russia in advocating for more educational exchange opportunities for its students. In 2009 we will send 29 high school students on the FLEX exchange program, we average one UGRAD fellow per year out of the 20 sent from the Russian Federation, since 1993 there have been 19 Fulbright scholars from Tatarstan and we will send four more to the U.S. this fall. This year Tatarstan will send 17 undergraduate and graduate students on its own government-financed program, down from the average of 30 per year since the program started in 2007. END NOTE). The Tatarstan Ministry of Education and Science has also recognized the need to retool and upgrade its cadre of English language instructors in order to help the republic build stronger international business ties. It has signed a contract with a US-based NGO to provide teacher training workshops and has offered considerable cost sharing for next year's Kazan-based Senior English Language Fellow.

16. (SBU) As part of its dedication to improving educational opportunities for children in Tatarstan, the ministry supported holding the 15th annual National Teachers of English (NATE) Conference in Kazan for several hundred English teachers from the region and provided a sizable contribution to the event's overall budget. The Ambassador and Minister of Education and Science Albert Guilmutdinov opened the conference at the Kazan Power and Engineering University on June 25. Several speakers stressed that the choice of a technical university as the venue for the conference rather than a foreign language faculty showed the importance placed by the ministry on the need for every

student in Tatarstan to learn the English language. Concluding his visit to Kazan, the Ambassador hosted a reception at the republic's National Library for a large and enthusiastic contingent of alumni of U.S. educational and business exchange programs.

#### Shaymiyev Seems Willing and Able to Remain as President

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¶7. (C) Even at the age of 72, Shaymiyev seemed willing and able to remain as Tatarstan's president. His jousting with Moscow over the republic's "special status" and his call last spring for the return to the election of local leaders (a view shared by a majority of Russians in a recent Levada Center poll) do not appear to have caused Medvedev to consider replacing him. Shaymiyev told the Ambassador that Tatarstan's strength is derived from the Russian Federation and its federal system. He admitted that the continued development of Russia's federal system is a difficult process, but that Russia will be a democratic state only if it is a federal state and a unitary state would not be sustainable. Chairman of the Politics and Law Department at the Kazan Power and Engineering Institute Nail Mukharyamov placed little importance on current Russian Constitutional Court deliberations on requiring Tatarstan and other federal republics to amend their constitutions to bring them into line with the Russian Constitution on the primacy of federal over local law because of a provision in Tatarstan's Constitution allowing changes to the article dealing with the primacy of Tatar law only by a referendum, which he believes neither Kazan nor Moscow will countenance.

¶8. (C) Mukharyamov said that Shaymiyev's current tenure as president is without a set term and does not end next year despite the fact that he was proposed by Putin and approved by the local parliament in 2005. He said that Shaymiyev could leave voluntarily after the 2013 Universiade, an international "university Olympics" sporting competition to be held in Kazan that many see as a critical prelude to the 2014 Sochi Olympics. Mukharyamov believed that the most likely candidate to replace Shaymiyev would be 40 year-old Kazan mayor Ilsur Metshin, with whom Shaymiyev retired to his private office after the meeting with the Ambassador concluded. Mukharyamov said that Metshin's experience as mayor of Tatarstan's two largest cities and his willingness to protect Shaymiyev's family would be more crucial than running state-owned enterprises like KAMAZ or Tatneft in any decision as to who would replace Shaymiyev.

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#### Preserving Tatarstan's Moderate Version of Islam

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¶9. (C) During his meeting with Gusman Iskhakov, the republic's chief mufti, the Ambassador said he was struck during his drive from Samara to Kazan at the peaceful co-location of Muslim and Orthodox places of worship throughout Tatarstan. Iskhakov replied that there was no special recipe for the historical acceptance by the region's Muslim faithful of other religious beliefs. He made a linguistic point of distinguishing the acceptance of other religions from the mere "tolerance" of them. He was emphatic that while Islam continues its resurgence in post-Soviet Tatarstan -- the republic boasts 11 centers of Muslim higher education including of the five federally-supported Russian Islamic Universities, two higher madrases and eight middle-level madrases -- Tatarstan would safeguard its cultural and historical moderation. He noted that unlike in the 1990s, when most of the religious instructors at Tatarstan's religious schools were non-Russian, now only the Arabic-language instructors are from abroad. He also said that whenever an imam or other religious leader returns from study abroad, he is "quarantined" and observed to see if he will cause any problems. While Iskhakov admitted that there have been some problems, he said that it was not on the scale

that has occurred in the North Caucasus.

Comment:

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¶10. (C) We were warmly welcomed in Kazan by English teachers, exchange alumni, business leaders and government officials. President Shaymiyev spoke frankly about the current economic problems in Tatarstan and was sincere in his desire for increased cooperation with us. Under Shaymiyev, Tatarstan has charted its own course, including developing a highly successful educational exchange and commercial relationship with the United States. Further cooperation and increased commercial ties there should be like pushing against an open door.

BEYRLE